

**CITY OF DYSART, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2016**

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**City of Dysart**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pam Thiele	Mayor	January 2020
Tom Brandt	Council Member	January 2018
Bret Hennessy	Council Member	January 2018
Tim Glenn	Council Member	January 2018
Stacey Dabney	Council Member	January 2020
Mary Wankowicz	Council Member	January 2020
Roxanne Schneider	City Clerk	Indefinite
Tabby Kaiser	Deputy City Clerk	Indefinite
Kevin Ahrenholz	City Attorney	Indefinite

# RFSW Ridihalgh Fuelling Snitker Weber & Co.

C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, CPA  
Gene L. Fuelling, CPA  
Donald A. Snitker, CPA  
Donald A. Weber, CPA

Jeremy P. Lockard, CPA  
Alan W. Flick, CPA  
Brent A. Waters, CPA

## Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

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**Basis of Accounting**

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

**Other Matters***Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dysart's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2015 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 6 through 13 and page 34 through 40 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2017 on our consideration of the City of Dysart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Dysart's internal control over financial reporting and compliance.



RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.  
March 8, 2017

**City of Dysart, Iowa**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Dysart provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2016 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased significantly from fiscal year 2015 to fiscal year 2016. Total governmental revenues (excluding transfers) were \$2,314,698 in FY15, and \$1,277,526 in FY16. The decrease can be attributed primarily due to the issuance of \$1,070,000 in general obligation bonds during FY15. Property tax revenues increased approximately \$6,000, while TIF revenues increased, from \$69,838 in fiscal year 2015 to \$77,072 in FY16.
- Governmental disbursements increased approximately \$700,000 from fiscal year 2015 to fiscal year 2016. Capital project expenses decreased by \$191,582. Public Safety disbursements decreased from \$539,718 in FY15 to \$461,878 in FY16. Expenses and revenues for Dysart Fire Fighter's Inc. are also included in these totals. Public works expenditures decreased approximately \$80,000, Culture & Recreation expenses increased approximately \$13,000, and Community & Economic Development expenses increased approximately \$8,000. General government expenses decreased slightly, with \$61,495 in expenditures during FY15, and \$58,117 in FY16. Debt Service expenses decreased significantly, from \$999,515 in FY15 to \$303,864 in FY16. This was due to the refunding of the 2006 Infrastructure Improvements General Obligation Bond Issue during the previous fiscal year. Business type expenses (excluding transfers) decreased slightly, at \$1,579,466 in FY15, to \$1,532,138 in FY16.
- The City's total cash basis net position decreased by \$126,655 from June 30, 2015 to June 30, 2016. This was due to the budgeted use of cash reserves for capital equipment and improvements.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than



the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statement**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the Water Fund, Sanitary Sewer Fund, Electric Fund and Garbage Service Fund. These activities are financed primarily by user charges.



## Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Garbage and Electric Funds, considered to be major funds of the City. The Sewer Utility Fund is a non-major Enterprise Fund.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased during FY16, from \$1,485,834 to \$1,109,385. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net position of Governmental Activities		
	Year ended June 30,	
	2016	2015
Receipts & transfers:		
Program Receipts:		
Charges for service	\$162,595	\$222,159
Capital grants, contributions and restricted interest	177,545	104,525
Operating grants, contributions and restricted interest	210,861	232,631
General Receipts:		
Property Tax	416,901	479,362
Local option sales tax	99,126	87,526
TIF Revenues	77,072	69,838
Other city tax	62,672	2,813
Unrestricted investment earnings	2,957	2,327
Bond proceeds	0	1,110,737
Other general receipts	52,994	2,324
Special Assessments	14,803	0
Net Transfers in (out)	<u>40,000</u>	<u>390,722</u>
Total receipts & transfers	<u>1,317,526</u>	<u>2,705,420</u>
Disbursements:		
Public Safety	461,878	539,718
Public Works	89,174	169,309
Health and social services	0	0
Culture and recreation	217,473	204,186
Community & economic development	21,937	14,063
General government	58,117	61,495
Debt Service	303,864	999,515
Capital projects	541,533	733,115
Other financing uses/transfers out	<u>0</u>	<u>0</u>
Total disbursements	<u>1,693,976</u>	<u>2,721,401</u>
Increase (decrease) in cash basis net position	(376,450)	(15,981)
Cash basis assets beginning of year	<u>1,485,835</u>	<u>1,501,815</u>
Cash basis assets end of year	<u>\$1,109,385</u>	<u>\$ 1,485,834</u>
Includes Dysart Fire Fighters Inc.		
Balance of:	\$ 74,362	\$ 65,293

The City's total receipts for governmental activities, excluding net transfers in, decreased by over \$1 million, \$2,314,698 to \$1,277,526. The City issued \$1,050,000 in general obligation bonds in FY15, which accounts for the change in revenues. Expenditures showed a decrease, primarily due to the refunding of the 2006 Debt Issuance during the previous fiscal year.

Property tax rates decreased in fiscal year 2016, with a rate of \$12.88335/\$1000, as compared to a rate of \$12.977748/\$1000 in fiscal year 2015. Overall property tax revenues were slightly lower, decreasing, from \$479,362 to \$416,901. TIF revenues increased from \$69,838 in FY15 to \$77,072 in FY16. Local option sales tax showed an increase from \$87,526 during FY15 to \$99,126 received in fiscal year 2016. Local option sales tax revenues are used to service the aquatic center debt.

There were several changes in the governmental program expenses also. Public Safety expenses decreased due to fewer capital purchases in FY16. Public Works showed a significant decrease in spending, while Culture and Recreation increased by approximately \$13,000. Community & Economic Development showed an increase due to an increased allocation to the Dysart Development Corporation, and funding allocated to ash tree removal. General Government expenses decreased slightly. Debt Service showed a significant decrease, from \$999,515 in FY15 to \$303,864 in FY16. This was due to the refunding of the 2006 Infrastructure Improvement General Obligation Bonds during FY15. Capital Projects decreased, with expenses of \$733,115 in FY15, and \$541,533 in FY16. Capital projects during this fiscal year included completion of the Community Building Renovation and Park Pavilion Project, as well as the 2015 Water/Sewer Improvement Project.

Changes in Cash Basis Net position of Business Type Activities		
	Year ended June 30,	
	2016	2015
Receipts & transfers:		
Program Receipts:		
Charges for service		
Water	\$ 285,812	\$ 296,387
Sewer	92,586	96,262
Electric	1,172,415	1,201,075
Garbage	213,039	215,629
Capital grants, contributions and restricted interest	0	0
General Receipts:		
Unrestricted investment earnings	3,987	3,911
Bond proceeds	0	0
Other general receipts	54,094	0
Transfers in	0	0
Total receipts & transfers	<u>1,821,933</u>	<u>1,813,264</u>
Disbursements:		
Water	268,442	273,940
Sewer	116,024	121,343
Electric	925,509	962,255
Garbage	222,163	221,928
Debt Service	0	0
Transfers out/Other Sources	<u>40,000</u>	<u>390,722</u>
Total disbursements & transfers	<u>1,572,138</u>	<u>1,970,188</u>
Increase (decrease) in cash basis net position	249,795	(156,924)
Cash basis assets beginning of year	<u>1,329,935</u>	<u>1,486,858</u>
Cash basis assets end of year	<u>\$1,579,728</u>	<u>\$1,329,935</u>

Total business type activities receipts and transfers in for the fiscal year increased slightly from the previous year, coming in at \$1.821 million compared to \$1.813 million last year. Utility revenues decreased slightly in all Business Type Funds, but the City also showed a decrease in expenses in all but the Garbage Fund. The Garbage Fund expenses increased only \$765, from \$221,928 to \$222,163.



## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Dysart completed the year, its governmental funds reported a combined fund balance of \$1,109,385, a decrease from last year's total of \$1,485,835. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased approximately \$135,000 from the prior year to \$497,317. This was primarily due to the purchase of a police vehicle, as well as the use of designated funds for the Community Building improvements.
- The Road Use Fund showed an increase of approximately \$80,000 during FY16. This was primarily due to reduced snow removal expenses for the year, as well as limited street repair projects. The City is building reserves for future street repairs/improvements.
- Local Option Sales Tax Fund balances remained steady for the year, at \$139,991, up slightly from \$138,605 for FY15. Local Option Sales Tax revenues are used to service the aquatic center debt.
- The Community Building/Park Pavilion Project got underway during FY15, and carried into fiscal year 2016. The renovations to the Community Building were substantially completed by December, 2015, and the construction of the park pavilion will take place in the spring of 2016. The project was being financed by grants, including a Vision Iowa grant, private contributions, and use of cash reserves.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$19,012 to \$165,783. The City continues to build cash reserves for future water main replacement projects.
- The Electric Fund cash balance increased by approximately \$227,668 to \$1,211,177.
- The Garbage Fund cash balance decreased by about \$9,000 to \$115,579.

## **BUDGETARY HIGHLIGHTS**

The City amended its budget twice during the fiscal year, on October 14, 2015, and May 11, 2016. The first amendment was necessary to allow for additional expenses in the Community and Economic Development Function, the completion of the 2015 Water/Sewer Project, and corrections to the Sanitation budget. The second amendment was to account for increased expenditures in various areas, including the purchase of a police vehicle, increased Summer Recreation and Community Building expenses, and increase in the July 4<sup>th</sup> fireworks and capital projects expenses carried over to this fiscal year.

## DEBT ADMINISTRATION

On June 30, 2016, the City had \$2,100,000 in bonds and other long-term debt, compared to \$2,350,000 last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2016	2015
General obligation bonds & notes	<u>\$2,100,000</u>	<u>2,350,000</u>
Total	<u>\$2,100,000</u>	<u>\$2,350,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is \$3,361,560. With outstanding general obligation debt of \$2,100,000, the city was using approximately 62% of its constitutional debt limit at fiscal year end.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Dysart's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for various City activities.

Budgets for various departments have remained fairly consistent with past years. The property tax rate for fiscal year 2017 increased to \$13.55041 per \$1000 in valuation, compared to \$12.88335 per \$1000 in valuation, in fiscal year 2016. This was primarily due to debt issuance for infrastructure improvements.

The City anticipates beginning a major street project during FY17, the reconstruction of West Street. General obligation bonds will be issued to finance this project.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roxanne L. Schneider, City Clerk, 601 Wilson Street, PO Box 686, Dysart, Iowa. Phone #319-476-5690.

## **Basic Financial Statements**

## City of Dysart

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

Functions / Programs:	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Public safety	\$ 461,878	106,654	18,208	-
Public works	89,174	-	-	-
Culture and recreation	217,473	30,778	8,291	-
Community and economic development	21,937	291	2,250	-
General government	58,117	6,885	182,112	-
Debt service	303,864	14,803	-	-
Capital projects	541,533	3,184	-	177,545
<b>Total governmental activities</b>	<b>1,693,976</b>	<b>162,595</b>	<b>210,861</b>	<b>177,545</b>
<b>Business type activities:</b>				
Water	268,442	285,812	-	-
Electric	925,509	1,172,415	-	-
Garbage	222,163	213,039	-	-
Sewer	116,024	92,586	-	-
<b>Total business type activities</b>	<b>1,532,138</b>	<b>1,763,852</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 3,226,114</b>	<b>1,926,447</b>	<b>210,861</b>	<b>177,545</b>
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Other city tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
<b>Total general receipts and transfers</b>				
<b>Change in cash basis net position</b>				
<b>Cash basis net position beginning of year</b>				
<b>Cash basis net position end of year</b>				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Debt service				
Streets				
Urban renewal purposes				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements



Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(337,016)	-	(337,016)
(89,174)	-	(89,174)
(178,404)	-	(178,404)
(19,396)	-	(19,396)
130,880	-	130,880
(289,061)	-	(289,061)
(360,804)	-	(360,804)
(1,142,975)	-	(1,142,975)
-	17,370	17,370
-	246,906	246,906
-	(9,124)	(9,124)
-	(23,438)	(23,438)
-	231,714	231,714
(1,142,975)	231,714	(911,261)
325,461	-	325,461
77,072	-	77,072
91,440	-	91,440
99,126	-	99,126
62,672	-	62,672
2,957	3,987	6,944
67,797	54,094	121,891
40,000	(40,000)	-
766,525	18,081	784,606
(376,450)	249,795	(126,655)
1,485,835	1,329,934	2,815,769
\$ 1,109,385	1,579,729	2,689,114
\$ 307,029	-	307,029
183,604	-	183,604
31,668	-	31,668
74,362	93	74,455
512,722	1,579,636	2,092,358
\$ 1,109,385	1,579,729	2,689,114

## City of Dysart

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue			Capital Projects
	General	Road Use Tax	Local Option Sales Tax	Comm. Bldg/ Park Project
Operating Receipts:				
Property tax	\$ 334,291	-	-	-
Tax increment financing	-	-	-	-
Other city tax	2,001	-	99,126	-
Licenses and permits	3,303	-	-	-
Use of money and property	6,827	-	260	176
Intergovernmental	30,707	170,416	-	174,605
Charges for service	134,211	-	-	-
Special assessments	-	-	-	-
Miscellaneous	31,269	-	-	6,114
Total receipts	542,609	170,416	99,386	180,895
Disbursements:				
Operating:				
Public safety	443,231	-	-	-
Public works	574	88,600	-	-
Culture and recreation	217,473	-	-	-
Community and economic development	21,937	-	-	-
General government	58,117	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	520,215
Total disbursements	741,332	88,600	-	520,215
Excess (deficiency) of receipts over (under) disbursements	(198,723)	81,816	99,386	(339,320)
Non-operating (disbursements):				
Sale of capital assets	500	-	-	-
Miscellaneous	(475)	-	-	-
Transfers in	63,071	-	-	40,000
Transfers out	-	-	(98,000)	-
Net other financing sources (uses)	63,096	-	(98,000)	40,000
Net change in cash balances	(135,627)	81,816	1,386	(299,320)
Cash balances beginning of year	632,944	101,788	138,605	309,891
Cash balances end of year	\$ 497,317	183,604	139,991	10,571
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	-	139,991	-
Streets	-	183,604	-	-
Urban renewal purposes	-	-	-	-
Other purposes	-	-	-	-
Committed for capital expenditures	-	-	-	10,571
Assigned	225,188	-	-	-
Unassigned	272,129	-	-	-
Total cash basis fund balances	\$ 497,317	183,604	139,991	10,571

See notes to financial statements

# Exhibit B

Other Nonmajor Governmental Funds	Total
151,233	485,524
77,072	77,072
877	102,004
-	3,303
663	7,926
7,188	382,916
1,632	135,843
14,803	14,803
25,928	63,311
279,396	1,272,702

18,647	461,878
-	89,174
-	217,473
-	21,937
-	58,117
303,864	303,864
21,318	541,533
343,829	1,693,976

(64,433)	(421,274)
----------	-----------

4,800	5,300
-	(475)
312,615	415,686
(277,687)	(375,687)

39,728	44,824
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(24,705)	(376,450)
----------	-----------

302,607	1,485,835
---------	-----------

277,902	1,109,385
---------	-----------

167,038	307,029
-	183,604
31,668	31,668
74,362	74,362
-	10,571
4,834	230,022
-	272,129

277,902	1,109,385
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## City of Dysart

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2016

	Enterprise Funds			Nonmajor Proprietary Funds
	Water	Electric	Garbage	
Operating receipts:				
Charges for service	\$ 285,812	1,172,415	213,039	92,586
Total operating receipts	285,812	1,172,415	213,039	92,586
Operating disbursements:				
Business type activities	268,442	925,509	222,163	116,024
Total operating disbursements	268,442	925,509	222,163	116,024
Excess (deficiency) of operating receipts over (under) operating disbursements	17,370	246,906	(9,124)	(23,438)
Non-operating receipts (disbursements):				
Interest on investments	355	3,222	226	184
Miscellaneous	1,287	17,540	-	35,267
Net non-operating receipts (disbursements)	1,642	20,762	226	35,451
Excess of receipts over disbursements	19,012	267,668	(8,898)	12,013
Transfers out	-	(40,000)	-	-
Change in cash balances	19,012	227,668	(8,898)	12,013
Cash balances beginning of year	146,771	983,509	124,477	75,177
Cash balances end of year	\$ 165,783	1,211,177	115,579	87,190
<b>Cash Basis Fund Balances</b>				
Restricted for other purposes	\$ -	-	-	93
Unassigned	165,783	1,211,177	115,579	87,097
Total cash basis fund balances	\$ 165,783	1,211,177	115,579	87,190

See notes to financial statements



Total
1,763,852
1,763,852
1,532,138
1,532,138
231,714
3,987
54,094
58,081
289,795
(40,000)
249,795
1,329,934
1,579,729
93
1,579,636
1,579,729

City of Dysart  
Notes to Financial Statements  
June 30, 2016

**(1) Summary of Significant Accounting Policies**

The City of Dysart is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric, and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Dysart has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Dysart (the primary government), and the following component unit: Dysart Fire Fighters, Incorporated. This component unit is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Blended Component Units**

Dysart Fire Fighters, Incorporated (Corporation) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Corporation is legally separate from the City, its purposes and objectives are to benefit the City of Dysart by providing assistance to the City in execution and performance of responsibilities to the citizens of Dysart and vicinity with regard to the study and advancement of the science of fire prevention, protection and suppression, and general emergency response and to conduct civic and social services, charitable and fundraising activities which support the City.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Sheriff's Department, Tama County Economic Development Commission, Dysart Rural Fire Agency, Inc., Poweshiek Water Association, Resale Power Group of Iowa (RPGI),

Tama County Emergency Communications Network, Inc. (CodeRED), and Tama County Solid Waste Disposal Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position present the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrate the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for tax implemented and levied by the county and is used as a means of raising funds for specific local or area projects.



Capital Project:

The Community Building/Park Project Fund is utilized to account for the receipt of grant funds and other donations and payment of project expenditures related to the community building and park project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water utility system.

The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

The Garbage Fund accounts for the garbage collection services contracted by the City.

C. Measurement Focus and Basis of Accounting

The City of Dysart maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances may be classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.



Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts only available to be used for specific purposes determined by a formal action by Council ordinance or resolution.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the debt service function prior to amendment.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the City had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Certificates of deposit	<u>\$ 553,019</u>	<u>\$ 553,019</u>	Various

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

Interest rate risk - The City's investment policy limits the investment of operating funds, those funds which are expected to be expended in the current budget year or within 15 months of receipt, to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City maintains funds in a Sweep Manager Account Program with Security State Bank. The Bank transfers funds out of the City's bank account once it meets or exceeds the "target balance" and places them into retail repurchase agreement, or "Repo". The target balance changes from month to month and is based on the previous month's disbursements, average daily balance, etc.

The Repos evidence a borrowing to be collateralized by securities, which are held by a third-party custodian. Amounts swept from the bank account into Repos will earn interest rates that are determined by the Bank daily.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2017	295,000	42,010
2018	295,000	38,958
2019	300,000	33,935
2020	300,000	28,520
2021	220,000	22,205
2022-2026	600,000	51,438
2027-2028	90,000	3,173
Total	\$ 2,100,000	220,239

General Obligation Bonds

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. The Bonds are payable from ad valorem taxes levied against all taxable property within the City.

The City issued \$400,000 of general obligation corporate purpose bond in March 2010. For the purpose of providing funds to pay costs of constructing street, curb and gutter, storm sewer and drainage improvements. The total principal and interest remaining on the bond is \$190,150, payable through June 2020.

The City issued \$1,320,000 of general obligation corporate purpose and refinancing bonds in March 2013 for the purpose of paying the costs of constructing certain street, curb and gutter, and storm sewer improvements and refunding of previous general obligation corporate purpose notes. The total principal interest remaining on the bond is \$1,010,135 payable through 2028.

The city issued \$1,070,000 of general obligation corporate purpose and refunding bonds in May 2015 for constructing street, water and sewer improvements, and refunding of previous general obligation corporate purpose notes. The total principal interest remaining on the bond is \$1,119,953 payable through 2026.

**(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is



available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State

statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City’s contributions to IPERS for the year ended June 30, 2016 totaled \$39,895.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$131,415 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City’s proportion was 0.00266%, which was a decrease of 0.0003948% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$20,626 \$54,233 and \$78,135 respectively.

There were no non-employer contributing entities to IPERS

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5% compounded annually net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS’ investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are



combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	19.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 356,475	131,415	(58,391)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

(5) **Other Postemployment Benefits (OPEB)**

The City approved a onetime retirement benefit in March 1994 for one employee where the city pays for the retiree's Medicare and drug supplement. For the year ended June 30, 2016, the City contributed \$3,942 to the individual's Medicare supplement.

(6) **Health Insurance Contributions**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 7 active and no retired members in the plan. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the full cost of the premium for the medical/prescription drug benefits. The City's deductibles for the plan are \$3,000 for single and \$6,000 for family and it self-funds half of the deductible, or \$1,500 for single and \$3,000 for family, for each participant. A third party administrator, Advantage Administrators, coordinates the self-funded portion of the plan.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The most recent active member monthly premiums paid for by the City are \$673 for single coverage and \$1,682 for family coverage. For the year ended June 30, 2016, the City contributed \$95,057 and plan members eligible for benefits contributed \$15,934 to the plan.

(7) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2016 was \$19,768. This liability has been computed based on rates of pay in effect at June 30, 2016.

*-space left intentionally blank-*

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	<u>\$ 63,071</u>
Debt Service:		
2010 Infrastructure Debt	Special Revenue:	
	Tax Increment Financing	18,500
	Debt Service:	
	Debt Service Levy	<u>22,890</u>
		41,390
2013 Talmage/Pool Debt	Special Revenue:	
	Tax Increment Financing	5,838
	Local Option Sales Tax	98,000
	Debt Service:	
	Debt Service Levy	<u>31,702</u>
		135,540
2015 Debt Fund	Special Revenue:	
	Tax Increment Financing	50,318
	Debt Service:	
	Debt Service Levy	40,825
	Capital Project:	
	Water/Sewer Projects 2015	<u>44,543</u>
		135,686
Capital Project:		
Comm. Bldg./Park Project	Enterprise:	
	Electric	<u>40,000</u>
Total		<u><u>\$ 415,687</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Related Party Transactions**

The City had business transactions between the City and City officials during the year ended June 30, 2016 totaling \$1,784.

**(10) Commitments**

Under a wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Resale Power Group of Iowa through December 2016. The agreement automatically renews each calendar year. The rates for such purchases are subject to review annually. Under a water purchase contract, the City is committed to the purchase of bulk water from Poweshiek Water Association through 2038. The rates for such purchases are subject to review annually.



The City participates in a 28E organization with Tama County and other cities within Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated costs of closure and post closure care as of June 30, 2015, the most recent date for which such information is available, is approximately \$2,319,200. The Commission has accumulated resources to fund these costs and, at June 30, 2015, assets of \$2,064,319 are restricted for these purposes.

The City awarded a bid to Hatch Grading & Contracting for the 2016 Storm Sewer Improvements Project. The contract total was \$79,912 and there were no payments made during the fiscal year.

#### **(11) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Dysart's contributions to the Pool for the year ended June 30, 2016 were \$38,708.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.



The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been disclosed in the City's financial statements. As of June 30, 2016 settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

**(12) Litigation**

The City has no pending litigation as of June 30, 2016.

**(13) Subsequent Events**

In February 2017, the City approved the purchase of a new police vehicle at a cost of \$39,563, including police-related up fitting of the vehicle.

**(14) New Accounting Pronouncement**

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## **Other Information**

City of Dysart

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 485,524	-	-	485,524
Tax increment financing collections	77,072	-	-	77,072
Other city tax	102,004	-	-	102,004
Licenses and permits	3,303	-	-	3,303
Use of money and property	7,926	3,987	166	11,747
Intergovernmental	382,916	-	-	382,916
Charges for service	135,843	1,763,852	1,632	1,898,063
Special assessments	14,803	-	-	14,803
Miscellaneous	63,311	54,094	25,918	91,487
Total receipts	1,272,702	1,821,933	27,716	3,066,919
Disbursements:				
Public safety	461,878	-	18,647	443,231
Public works	89,174	-	-	89,174
Culture and recreation	217,473	-	-	217,473
Community and economic development	21,937	-	-	21,937
General government	58,117	-	-	58,117
Debt service	303,864	-	-	303,864
Capital projects	541,533	-	-	541,533
Business type activities	-	1,532,138	-	1,532,138
Total disbursements	1,693,976	1,532,138	18,647	3,207,467
Excess (deficiency) of receipts over (under) disbursements	(421,274)	289,795	9,069	(140,548)
Other financing sources (uses), net	44,824	(40,000)	-	4,824
Excess of receipts and other financing sources over disbursements and other financing uses	(376,450)	249,795	9,069	(135,724)
Balances beginning of year	1,485,835	1,329,934	65,293	2,750,476
Balances end of year	\$ 1,109,385	1,579,729	74,362	2,614,752

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
491,465	491,465	(5,941)
74,656	74,656	2,416
85,694	85,694	16,310
1,725	1,725	1,578
8,000	8,000	3,747
162,466	162,466	220,450
2,024,000	2,024,000	(125,937)
-	-	14,803
68,225	68,225	23,262
2,916,231	2,916,231	150,688
487,230	512,230	68,999
138,710	138,710	49,536
211,346	222,946	5,473
28,500	34,500	12,563
65,850	67,850	9,733
293,073	293,073	(10,791)
440,000	561,500	19,967
1,490,000	1,742,500	210,362
3,154,709	3,573,309	365,842
(238,478)	(657,078)	516,530
3,000	3,000	1,824
(235,478)	(654,078)	518,354
2,421,885	2,750,475	1
2,186,407	2,096,397	518,355



City of Dysart  
Notes to Other Information – Budgetary Reporting  
June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased disbursements by \$418,600. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the debt service function prior to amendment.

City of Dysart

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Two Fiscal Years\*

Other Information

	2016	2015
City's proportion of the net pension liability	0.002660%	0.002265%
City's proportionate share of the net pension liability	\$ 131,415	\$ 89,834
City's covered-employee payroll	\$ 424,381	\$ 423,967
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.97%	21.19%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Dysart  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years

Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 39,895	\$ 40,329	37,807	34,797	32,227
Contributions in relation to the statutorily required contribution	<u>(39,895)</u>	<u>(40,329)</u>	<u>(37,807)</u>	<u>(34,797)</u>	<u>(32,227)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 424,381	423,967	398,775	371,753	336,272
Contributions as a percentage of covered-employee payroll	9.40%	9.51%	9.48%	9.36%	9.58%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
32,909	27,777	25,401	23,538	18,941
<u>(32,909)</u>	<u>(27,777)</u>	<u>(25,401)</u>	<u>(23,538)</u>	<u>(18,941)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
423,029	383,578	372,247	371,890	314,263
7.78%	7.24%	6.82%	6.33%	6.03%



## City of Dysart

### Notes to Other Information – Pension Liability

Year ended June 30, 2016

#### Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

#### Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

## **Supplementary Information**

## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Summary

As of and for the year ended June 30, 2016

	Special Revenue	Debt Service	Capital Projects	Total
<b>Receipts:</b>				
Property tax	\$ 59,793	91,440	-	151,233
Tax increment financing	77,072	-	-	77,072
Other city tax	358	519	-	877
Use of money and property	330	272	61	663
Intergovernmental	2,873	4,315	-	7,188
Charges for services	1,632	-	-	1,632
Special assessments	-	14,803	-	14,803
Miscellaneous	25,918	-	10	25,928
<b>Total receipts</b>	<b>167,976</b>	<b>111,349</b>	<b>71</b>	<b>279,396</b>
<b>Disbursements:</b>				
Operating:				
Public safety	18,647	-	-	18,647
Debt service	-	303,864	-	303,864
Capital projects	-	-	21,318	21,318
<b>Total disbursements</b>	<b>18,647</b>	<b>303,864</b>	<b>21,318</b>	<b>343,829</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>149,329</b>	<b>(192,515)</b>	<b>(21,247)</b>	<b>(64,433)</b>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	4,800	4,800
Transfers in	-	312,615	-	312,615
Transfers out	(137,727)	(95,417)	(44,543)	(277,687)
<b>Net other financing sources (uses)</b>	<b>(137,727)</b>	<b>217,198</b>	<b>(39,743)</b>	<b>39,728</b>
<b>Net change in cash balances</b>	<b>11,602</b>	<b>24,683</b>	<b>(60,990)</b>	<b>(24,705)</b>
<b>Cash balances beginning of year</b>	<b>94,428</b>	<b>142,355</b>	<b>65,824</b>	<b>302,607</b>
<b>Cash balances end of year</b>	<b>\$ 106,030</b>	<b>167,038</b>	<b>4,834</b>	<b>277,902</b>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	167,038	-	167,038
Urban renewal purposes	31,668	-	-	31,668
Other purposes	74,362	-	-	74,362
Assigned for capital expenditures	-	-	4,834	4,834



## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Special Revenue Funds

As of and for the year ended June 30, 2016

	Employee Benefits	Urban Renewal Tax Increment	Low to Moderate Income Housing	Dysart Fire Fighters, Inc.
Receipts:				
Property tax	\$ 59,793	-	-	-
Tax increment financing	-	77,072	-	-
Other city tax	358	-	-	-
Use of money and property	47	50	67	166
Intergovernmental	2,873	-	-	-
Charges for services	-	-	-	1,632
Miscellaneous	-	-	-	25,918
Total receipts	63,071	77,122	67	27,716
Disbursements:				
Operating:				
Public safety	-	-	-	18,647
Total disbursements	-	-	-	18,647
Excess (deficiency) of receipts over (under) disbursements	63,071	77,122	67	9,069
Other financing sources (uses):				
Transfers out	(63,071)	(74,656)	-	-
Net other financing sources (uses)	(63,071)	(74,656)	-	-
Net change in cash balances	-	2,466	67	9,069
Cash balances beginning of year	-	1	29,134	65,293
Cash balances end of year	\$ -	2,467	29,201	74,362
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Urban renewal purposes	\$ -	2,467	29,201	-
Other purposes	-	-	-	74,362
Total cash basis fund balances	\$ -	2,467	29,201	74,362

See accompanying independent auditor's report

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Total

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59,793

77,072

358

330

2,873

1,632

25,918

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167,976

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18,647

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18,647

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149,329

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(137,727)

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(137,727)

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11,602

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106,030

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31,668

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74,362

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106,030

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## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Debt Service Funds

As of and for the year ended June 30, 2016

	Debt Service Levy	2013 Talmage/ Pool	2015 Debt Fund	2010 Infrastructure Debt
<b>Receipts:</b>				
Property tax	\$ 91,440	-	-	-
Other city tax	519	-	-	-
Use of money and property	66	31	136	39
Intergovernmental	4,315	-	-	-
Special assessments	-	-	14,803	-
<b>Total receipts</b>	<b>96,340</b>	<b>31</b>	<b>14,939</b>	<b>39</b>
<b>Disbursements:</b>				
Operating:				
Debt service	-	149,540	106,934	47,390
<b>Total disbursements</b>	<b>-</b>	<b>149,540</b>	<b>106,934</b>	<b>47,390</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>96,340</b>	<b>(149,509)</b>	<b>(91,995)</b>	<b>(47,351)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	135,540	135,685	41,390
Transfers out	(95,417)	-	-	-
<b>Net other financing sources (uses)</b>	<b>(95,417)</b>	<b>135,540</b>	<b>135,685</b>	<b>41,390</b>
<b>Net change in cash balances</b>	<b>923</b>	<b>(13,969)</b>	<b>43,690</b>	<b>(5,961)</b>
<b>Cash balances beginning of year</b>	<b>3,341</b>	<b>28,388</b>	<b>80,360</b>	<b>30,266</b>
<b>Cash balances end of year</b>	<b>\$ 4,264</b>	<b>14,419</b>	<b>124,050</b>	<b>24,305</b>
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 4,264	14,419	124,050	24,305
<b>Total cash basis fund balances</b>	<b>\$ 4,264</b>	<b>14,419</b>	<b>124,050</b>	<b>24,305</b>

See accompanying independent auditor's report



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Total

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91,440

519

272

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303,864

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303,864

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(192,515)

312,615

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(95,417)

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24,683

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142,355

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167,038

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167,038

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167,038

## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Capital Projects Funds

As of and for the year ended June 30, 2016

	Equipment Replacement	Water/Sewer Projects 2015	Total
Receipts:			
Use of money and property	\$ 3	58	61
Miscellaneous	-	10	10
Total receipts	3	68	71
Disbursements:			
Operating:			
Capital projects	-	21,318	21,318
Total disbursements	-	21,318	21,318
Excess (deficiency) of receipts over (under) disbursements	3	(21,250)	(21,247)
Other financing sources (uses):			
Sale of capital assets	4,800	-	4,800
Transfers out	-	(44,543)	(44,543)
Net other financing sources (uses)	4,800	(44,543)	(39,743)
Net change in cash balances	4,803	(65,793)	(60,990)
Cash balances beginning of year	31	65,793	65,824
Cash balances end of year	\$ 4,834	-	4,834
<b>Cash Basis Fund Balances</b>			
Assigned for capital expenditures	\$ 4,834	-	4,834
Total cash basis fund balances	\$ 4,834	-	4,834

See accompanying independent auditor's report

## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2016

	Sewer	Project Share	Total
Operating receipts:			
Charges for service	\$ 92,586	-	92,586
Total operating receipts	92,586	-	92,586
Operating disbursements:			
Business type activities	116,024	-	116,024
Total operating disbursements	116,024	-	116,024
Excess (deficiency) of operating receipts over (under) operating disbursements	(23,438)	-	(23,438)
Non-operating receipts (disbursements):			
Interest on investments	184	-	184
Miscellaneous	35,267	-	35,267
Net non-operating receipts (disbursements)	35,451	-	35,451
Excess (deficiency) of receipts over (under) disbursements	12,013	-	12,013
Change in cash balance	12,013	-	12,013
Cash balances beginning of year	75,084	93	75,177
Cash balances end of year	\$ 87,097	93	87,190
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ -	93	93
Unassigned	87,097	-	87,097
Total cash basis fund balances	\$ 87,097	93	87,190

See accompanying independent auditor's report



## Schedule 6

### City of Dysart

#### Schedule of Indebtedness

Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year
General Obligation Bonds:				
Corporate purpose, Series 2010	March 2, 2010	2.00 - 3.60%	\$ 400,000	215,000
Corp. purpose & refunding, Series 2013	March 12, 2013	0.35 - 2.35%	1,320,000	1,065,000
Corp. purpose & refunding, Series 2015	May 27, 2015	0.7 -3.00%	1,070,000	1,070,000
				<u>\$ 2,350,000</u>

See accompanying independent auditor's report

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
-	40,000	175,000	6,890
-	135,000	930,000	14,040
-	75,000	995,000	23,776
-	250,000	2,100,000	44,706

## City of Dysart

## Bond and Note Maturities

June 30, 2016

Year Ending June 30,	General Obligation Bonds			
	2010 Infrastructure		Corp. Purpose & Refunding Series 2013	
	Issued March 2, 2010		Issued March 12, 2013	
	Interest Rates	Amount	Interest Rates	Amount
2017	3.00	\$ 40,000	0.75	\$ 135,000
2018	3.20	45,000	0.95	135,000
2019	3.40	45,000	1.10	135,000
2020	3.60	45,000	1.30	140,000
2021	-	-	1.45	100,000
2022	-	-	1.90	35,000
2023	-	-	1.90	40,000
2024	-	-	1.90	40,000
2025	-	-	2.35	40,000
2026	-	-	2.35	40,000
2027	-	-	2.35	45,000
2028	-	-	2.35	45,000
Total	\$	175,000	\$	930,000

See accompanying independent auditor's report

Corp. Purpose & Refunding Series 2015			
Issued May 27, 2015			
Interest Rates	Amount		Total
0.70 \$	120,000		295,000
2.00	115,000		295,000
2.00	120,000		300,000
2.50	115,000		300,000
2.50	120,000		220,000
2.75	115,000		150,000
2.75	115,000		155,000
3.00	115,000		155,000
3.00	30,000		70,000
3.00	30,000		70,000
	-		45,000
	-		45,000
\$	995,000		2,100,000



## City of Dysart

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

	2016	2015	2014	2013	2012
Property tax	\$ 485,524	479,362	466,300	442,134	426,879
Tax increment financing	77,072	69,838	71,864	85,072	87,129
Other city tax	102,004	90,795	87,884	91,776	108,806
Licenses and permits	3,303	4,946	4,376	5,030	4,674
Use of money and property	7,926	5,666	9,503	11,574	12,778
Intergovernmental	382,916	212,408	156,701	152,583	234,790
Charges for service	135,843	134,233	125,609	127,567	113,022
Special assessments	14,803	29,315	12,137	2,487	43,885
Miscellaneous	63,311	164,607	325,692	95,207	218,624
Total	<u>\$ 1,272,702</u>	<u>1,191,170</u>	<u>1,260,066</u>	<u>1,013,430</u>	<u>1,250,587</u>
Disbursements:					
Operating:					
Public safety	\$ 461,878	539,718	633,468	344,976	281,277
Public works	89,174	169,309	102,646	76,714	198,521
Culture and recreation	217,473	204,186	226,894	207,549	247,952
Community and economic devel	21,937	14,063	14,736	15,405	11,631
General government	58,117	61,495	61,585	56,963	71,606
Debt service	303,864	999,515	289,233	985,504	249,189
Capital projects	541,533	733,115	763,466	167,126	455,669
Total	<u>\$ 1,693,976</u>	<u>2,721,401</u>	<u>2,092,028</u>	<u>1,854,237</u>	<u>1,515,845</u>

See accompanying independent auditor's report

**Schedule 8**

<u>2011</u>	<u>2010</u>
412,527	410,578
65,744	65,870
81,979	80,888
4,955	2,476
12,866	16,874
139,146	133,092
144,012	130,468
2,131	18,841
<u>72,333</u>	<u>77,464</u>
<u><u>935,693</u></u>	<u><u>936,551</u></u>

279,864	206,347
127,218	89,943
196,179	185,374
16,054	17,751
56,772	48,250
256,406	236,444
<u>206,914</u>	<u>120,338</u>
<u><u>1,139,407</u></u>	<u><u>904,447</u></u>

# RFSW Ridihalgh Fuelling Snitker Weber & Co.

C E R T I F I E D P U B L I C A C C O U N T A N T S

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Gene L. Fuelling, CPA  
Donald A. Snitker, CPA  
Donald A. Weber, CPA*

*Jeremy P. Lockard, CPA  
Alan W. Flick, CPA  
Brent A. Waters, CPA*

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Dysart's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Dysart's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dysart's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Dysart's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A and II-D to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B and II-C to be significant deficiencies.

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Independence, Iowa 50644  
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Fax: (319) 334-6454



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Dysart's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**City of Dysart's Responses to the Findings**

The City of Dysart's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Dysart's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dysart during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S  
March 8, 2017



City of Dysart  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Dysart did not expend federal funds in excess of the Uniform Guidance, Single Audit dollar threshold of \$750,000 for the year ended June 30, 2016.

City of Dysart  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. These incompatible duties can be summarized into four general categories: Custody, Authorization, Record-Keeping and Review. Ideally, separate individuals have control over each of the duties listed within the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparation and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel and elected officials to provide additional control through review of financial transactions and reports.

II-B Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash receipts and disbursements basis of accounting. The City of Dysart does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control*

*Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an entity of this size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on an ongoing basis. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion – Response accepted.

II-C Authorization of Timesheets – The City did not have proper authorization for all employee time sheets, including department heads. The city should make sure that wages, salaries, and benefit disbursements are supported and made only for work authorized and performed.

Recommendation – All timesheets should be reviewed and have the reviewer initial and date the timesheets to document their approval. Department heads and other employees that do not have direct superiors, as applicable, should have the mayor or council member review and sign off on their timesheets.

Response – The City currently reviews and initials timesheets of most employees. We will ensure all employee timesheets, including department heads, are reviewed and that the review is documented.

Conclusion – Response accepted.

II-D Independent Review – The city clerk currently performs the following incompatible duties within the City's accounting processes. First, the city clerk completes all bank reconciliations and self-reviews those reconciliations without any independent review being performed. Additionally, the city clerk is able to post manual journal entries to the City's accounting system. These manual journal entries receive limited, and in most cases, no independent review.

Recommendation – The bank reconciliation and manual journal entry functions of the accounting system are two of the highest risk areas for error or fraud to occur in the City's accounting system. We recommend a person independent of the accounting department perform all bank reconciliations. If not performed by an independent person, a review of the city clerk's bank reconciliation should be performed and documented with the reviewer's initials and date.

We also recommend an independent person review and approve all manual journal entries posted to the City's accounting records. Again, this review should be documented with the reviewer's initials and date.

Response – The City will request the finance committee to review and initial the monthly bank reconciliations.

Conclusion – Response acknowledged.

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Dysart  
Schedule of Finding and Questioned Costs  
Year ended June 30, 2016

**Part III: Other Findings Related to Statutory Reporting:**

III-A Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the debt service function. In addition, disbursements exceeded the budget before budget was amended. Chapter 384.20 of the Code of Iowa states in part that “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with chapter 348.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Business Connection	Title, and Transaction Description	Amount
Bret Hennessy, Council Member, Owner of Shamrock Lawn Service	Lawn spraying / trimming	\$ 1,784

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the amount is for less than \$2,500.

III-E Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F City Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted

City of Dysart

Schedule of Finding and Questioned Costs

Year ended June 30, 2016

III-H Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2016.

III-I Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

III-J Franchise Fees – If a City adopts a franchise fee rate ordinance, a revenue purpose statement shall be prepared specifying the purpose or purposes for which the revenue collected from the rate will be expended. The City does not have revenue purpose statements for the ordinances in effect.

Recommendation – The City should adopt revenue purpose statements in accordance with Chapter 364.2(4) (f) of the code of Iowa.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

III-K Garbage Rate Setting – Historically, the City's garbage activity had been accounted for within the General Fund and rate changes were approved via resolution. The garbage activity is now accounted for as an enterprise (business-type activity) fund. Chapter 384.84 of the Code of Iowa requires enterprise revenue rates be established by ordinance of the City Council.

Recommendation – The City should establish its garbage utility rates by ordinance in accordance with the Code of Iowa.

Response – We will comply with this recommendation. The City has established garbage utility rates via ordinance passed in September 2016.

Conclusion – Response accepted.